

John B. Higgins

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DEPARTMENT OF STATE

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January 4, 1982

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TO: OVP - Mrs. Nancy Bearg Dyke
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 USTR - Mr. Richard Heimlich
 Treasury - Mr. David Pickford
 CIA - [redacted]
 OMB - Mr. William Schneider

STAT

SUBJECT: Report on Energy Security Discussions with
 Norway and the Netherlands

Attached is a report on consultations Under
 Secretary Rashish held with the Norwegian and Dutch
 officials concerning European natural gas security.

L. Paul Bremer, III
 L. Paul Bremer, III
 Executive Secretary

Attachment:

Report

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DEPARTMENT OF STATE

INFORMATION MEMORANDUM

S/S

January 4, 1982

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TO: SIG Members on East-West Economic Relations

FROM: E, Myer Rashish *MR*

SUBJECT: Energy Security Discussions with Norway
and the Netherlands

In early December I had the opportunity to follow up my discussions on the Siberian pipeline with the Norwegians and Dutch -- the most important natural gas producers in Europe. I stressed that the US remains very concerned about the security implications of increased European dependence on Soviet gas and that, in our view, other economically attractive and more secure sources of energy are available.

My discussions with the Norwegian Energy Minister revealed that the Norwegians are laying the groundwork for an acceleration of the pace of natural gas development. They are actively considering development plans, including a pipeline from the Tromsø field through the heart of Sweden, to bring the abundant reserves to market. They are clear to point out, however, that such development must be economically and commercially viable and in line with the conservative government's aim to rely on market principles. Social and economic concerns continue to be important constraints to more rapid development, but the Norwegians are weighing these national concerns against the need to provide gas to their European allies. When asked about their role as a supplier of natural gas in an emergency, the Norwegians replied that it is not economically justifiable for them to build costly spare capacity. The capacity they build must be for steady export.

The Dutch were interested in supporting measures which would increase European natural gas security. They said that they were planning to shut in a considerable portion of the remaining reserves in their Groningen field as a strategic reserve, despite the fact that this would mean foregoing short term revenue.

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While these reserves do represent an important and easily accessible source of gas, the Dutch did admit, however, that this spare capacity was insufficient to meet all European gas demands should Soviet gas be suspended.

It became apparent during our meetings that given lower future European natural gas demand, most of the Soviet gas imports contemplated might not be necessary should the Dutch decide to slow down the phase out of their gas exports (now targetted for 1995), while at the same time Norway accelerated the development of their vast reserves.

In light of this possibility, prompt consultations between the Dutch and Norwegians on the issues of future European gas markets, their export potential and possible contribution to a European-wide safety net seem highly desirable. We explored this possibility with each country separately and learned that while they had engaged in preliminary consultations last Spring this process had not been continued due in part to new governments in both countries. At our urging, each agreed that bilateral talks (with possible participation by the US) would be useful. We plan to facilitate these talks and participate in any appropriate way.

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